



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB0156	Title:	Revise tax protest laws
Primary Sponsor:	Tutvedt, Bruce	Status:	As Introduced

- | | | |
|------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$533,000)	(\$1,015,000)	(\$489,000)	(\$489,000)
State Special Revenue	(\$693,000)	(\$1,267,000)	(\$549,000)	(\$549,000)
Net Impact-General Fund Balance:	<u>(\$533,000)</u>	<u>(\$1,015,000)</u>	<u>(\$489,000)</u>	<u>(\$489,000)</u>

Description of fiscal impact: SB 156 directs county treasurers to hold the state share of all protested taxes until the property tax settlement is reached. Under current law, 50% of the state share of protested taxes from centrally assessed property and industrial property is held in a state special revenue reserve fund and the remaining 50% is deposited in the respective state general fund and university six mill state special revenue fund. This bill reduces state general fund revenue by \$1.5 million and state special revenue by \$1.96 in the 2017 biennium, and approximately \$500,000 in each succeeding year.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. Current law directs county treasurers to remit to the Department of Revenue the state portion of protested property tax payments from centrally assessed property, and from industrial property in a school district that has elected to waive its right to protested taxes. That revenue is to be deposited as follows:
 - a. 50% of the 95 mill levy portion and the 1.5 mill levy portion to the general fund;
 - b. 50% of the 95 mill levy portion and the 1.5 mill levy portion to the centrally assessed protested property tax state special revenue fund;
 - c. 50% of the 6 mill levy portion to the state special revenue fund for the university system;

- d. 50% of the 6 mill levy portion to the centrally assessed protested property tax state special revenue fund;
 - e. 50% of the school districts protested taxes to the general fund;
 - f. 50% of the school districts protested taxes to the school district property tax protest state special revenue fund.
2. SB 156 no longer directs the county to remit this revenue to the department. This state revenue will be held by the county instead of by the state until the property tax settlement is reached.
 3. The amount of centrally assessed and industrial protested property taxes varies from year to year
 4. In FY 2014, centrally assessed and industrial companies protested approximately \$977,664 of taxes associated with the 95 mills, and \$60,955 of taxes associated with the university system 6 mills.
 5. The fiscal costs of SB 156 are estimated based on the protested tax assumptions used in the LFD property tax revenue estimate included in HJR 2 for FY 2016 and FY 2017 and the OBPP estimates of protested taxes for FY 2018 and FY 2019.
 6. Under SB 156, the following reductions in revenue available for current expenditure, and reserve funds would be held by the counties where the taxes were protested in the following estimated amounts:

Projected State Protest Tax Revenue Reduction Under SB 156 as Introduced				
	FY 2016	FY 2017	FY 2018	FY 2019
General Fund Protested Taxes	(\$533,000)	(\$1,015,000)	(\$489,000)	(\$489,000)
University 6 mill SSR Protested Taxes	(\$80,000)	(\$126,000)	(\$30,000)	(\$30,000)
Protest Tax SSR Reserve	(\$613,000)	(\$1,141,000)	(\$519,000)	(\$519,000)
Total Protested State Property tax Revenue	(\$1,226,000)	(\$2,282,000)	(\$1,038,000)	(\$1,038,000)

7. Centrally assessed and industrial property tax protests will be removed from the county collection reporting process. These changes will be absorbed by the department as part of routine maintenance.

Office of Public Instruction

8. This fiscal note assumes that schools would choose not to waive their right to protested taxes. Therefore, there would be no impact to the state general fund through guaranteed tax base aid (GTB) recalculation. In fact, the GTB effects are unknown. The maximum potential impact is assumed to not exceed the total cumulative local school taxes under protest.

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
Department of Revenue				
<u>Expenditures:</u>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	(\$533,000)	(\$1,015,000)	(\$489,000)	(\$489,000)
SSR - University 6 mill	(\$80,000)	(\$126,000)	(\$30,000)	(\$30,000)
SSR - Protest Account	(\$613,000)	(\$1,141,000)	(\$519,000)	(\$519,000)
TOTAL Revenues	<u>(\$1,226,000)</u>	<u>(\$2,282,000)</u>	<u>(\$1,038,000)</u>	<u>(\$1,038,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$533,000)	(\$1,015,000)	(\$489,000)	(\$489,000)
SSR - University 6 mill	(\$80,000)	(\$126,000)	(\$30,000)	(\$30,000)
SSR - Protest Account	(\$613,000)	(\$1,141,000)	(\$519,000)	(\$519,000)

Effect on County or Other Local Revenues or Expenditures:**Office of Public Instruction (OPI)**

1. Under current law, taxing jurisdictions have a right to access their protested tax dollars from centrally assessed and industrial property on the first and subsequent years of a protest. SB 156 proposes local governments and school districts would not be allowed to access protested taxes in the first year of the protest as there is no longer any distinction between centrally assessed or industrial protested taxes and other protested taxes.
2. This fiscal note assumes that schools would choose to not waive their right to protested taxes and would not seek GTB recalculation. If eligible school districts chose to waive their right to protested taxes it is unclear how to implement the recalculation

Department of Revenue

3. Counties would increase their protest tax holdings by between \$1 million and \$2 million per year as they would retain the state portion on any protested taxes until settlement of the tax protest.
4. Counties could benefit from the interest earnings on the state portion of protested taxes if final settlements sustained more than 50% of assessed value under protest.

Technical Notes:**Office of Public Instruction**

1. Page 3, lines 12-14: The bill strikes 15-1-402(5)(c), which states that school districts who waive their rights to protested taxes cannot access them. This language should remain, but should be amended to reference the correct section.
2. Page 5, line 19: The proposed changes would require that the taxable value used to calculate GTB for districts who waive their rights to protested taxes is the taxable value of the protested taxes (total taxable value minus taxable value of property not under protest). The taxable value used to calculate GTB should be the taxable value of the property not under protest (total taxable value minus taxable value of property under protest).
3. It is unclear if districts are allowed to waive their rights to all protested property taxes or if they are able to waive their rights to specific protested property taxes.
4. Page 5, line 20: Indicates that “the department” (DOR) is responsible for refunding protested taxes and other costs due the protesting taxpayer and retaining any portion of protested taxes that would have been distributed to the school district that waived their rights to protested taxes. It is unclear how DOR would administer this since all of the protested taxes are paid to the county to be deposited into the protested tax fund.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date